United Nations A/AC.257/27/Add.10

General Assembly

Distr.: General
20 September 2001

Original: English

Preparatory Committee for the International Conference on Financing for Development
Resumed third session
15-19 October 2001
Agenda item 2
Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development

Technical notes

Note by the Secretary-General

Addendum

Technical note No. 10: Existing proposals on strategies for expanding access to microcredit and for assisting current microcredit beneficiaries in gaining access to the formal domestic banking sector*

I. Introduction

1. The discussions on microfinance[1] in recent years have focused on the challenge of expanding access to growing numbers of low-income borrowers and savers, and of harnessing the resources available within the formal financial sector towards that end. The present technical note will therefore respond to the request from the Preparatory Committee for the International Conference on Financing for Development to provide an inventory of existing proposals on the issue (that is to say, those brought before intergovernmental bodies or amply debated in other forums), and will include a bibliography that provides a sampling of the extensive work that has been conducted in providing a theoretical underpinning to the issue, and in documenting the remarkable successes and continued challenges facing those in the industry.

2. *Microcredit*, in this note, is assumed to be the provision of credit to the poor and the very poor who lack access to credit provided by traditional formal financial institutions. *Microfinance* is often defined to include a broader range of services (including credit, savings and insurance, and even remittances). Typical microfinance clients are low-income clients, usually but not exclusively women, who are self-employed,

* The preparation of the present technical note was coordinated in the Financing for Development Coordinating secretariat, by an official appointed by the World Bank. Staff from the following entities collaborated, in a personal capacity, in its preparation: the 29-donor-agency Consultative Group to Assist the Poorest (CGAP), the United Nations Capital Development Fund (UNCDF) and various non-governmental organizations.

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often household-based entrepreneurs; who have a relatively stable source of income, however small; whose sole source of credit is the informal moneylender; who lack secure, convenient and reliable saving services; and who depend on informal systems as a hedge against emergencies or large life-cycle expenditures.

3. Subsidized credit schemes, particularly for the rural poor, were the early attempts at extending credit to the under-served. They were created with the best of intentions but were fundamentally flawed: the capital-constrained organizations they created were limited in their breadth and scope; the below-market interest rates led to loans going primarily to local elites and excluding the intended poor clients; and their portfolios were characterized by large losses and high arrears.

4. Subsequent attempts to support microfinance have identified a number of successful models. Non-governmental organizations have been in the forefront, starting at modest levels to address the credit needs of the poor, particularly women, and using lessons learned from their experiences to refine, revamp and reform their models. A rare few formal financial institutions, particularly in Latin America, have joined that effort, providing appropriate and adequate financial services, and reaping benefits including substantial profits and healthy portfolios.

5. As a result, microfinance has proved that, under the right circumstances, it can reduce the poor's vulnerability to external shocks, smooth out their incomes, offer higher returns on their investments, increase their incomes and offer improved quality of life for them and for their households. Women have been disproportionately represented among the low-income poor who, for a number of well-documented reasons, have been unable to access formal credit. Microfinance activities, therefore, even under those programmes where they were not specifically the target population, have been of critical importance for the economic empowerment of women.

Issues in microfinance

6. Although there are specific factors that are relevant to the circumstances in particular regions, countries and populations, there are several issues that relate directly to the two objectives of expanding access and integrating microfinance into the formal financial sector.

7. **The perceived trade-off between outreach and sustainability.** There are two main approaches to securing financial services for the poor: the first, the *poverty lending approach* associated with the Grameen Bank of Bangladesh and others, promotes donor- or Government-funded credit for the poor, and particularly for the poorest; the second, often called the *financial systems approach* and associated with Indonesia's BRI (Banu Rakyat Indonesia) or Bolivia's BancoSol, advocates commercial microfinance for the economically active poor. This approach is based on the premise that the funds needed to grow microfinance institutions and expand their reach on a large scale can come only from the vast resources of the financial system, with self-sufficient institutions playing the role of financial intermediators that facilitate the efficient movement of capital between savers and borrowers.

8. These approaches are still being refined. The poverty lending approach, though successful in some instances, may not be universally applicable, particularly as donor fatigue reduces the resources available even for the most successful of such models. The financial systems model does not often tackle the social and institutional issues that may affect the ability of the poor to become economically active in order to take advantage of its services. Therefore, rather than focus on whether one or the other approach is "better", it is critical to find the approach (or an appropriate combination of the two) that best addresses the particular needs of each community and country.

9. **Tailoring a diverse set of products to client needs.** The microcredit institutions focusing on poverty lending do not typically offer voluntary savings services to the general public. The commercially oriented microfinance institutions, though committed to providing cost-effective financial services to their clients, have not yet developed an array of products to meet the many needs. Initially, microfinance provided by non-governmental organizations was limited to micro-loans, usually provided through solidarity groups because this posed less of a risk for the loan-making institution. However, with increased competition among microcredit-granting non-governmental organizations, and with formal financial institutions entering the industry (especially in Latin America), institutions have to offer a range of diversified, flexible products to their clients in order to

remain competitive. Thus, microfinance has evolved from being a mono-product industry to an increasingly multi-products one.[2]

10. **Supervision and regulations.** For microentrepreneurs to have greater access to the formal financial system, one of two things will have to occur with respect to the institutions that serve them: either microfinance institutions will have to become licensed and access formal financial resources directly (this is often called *upscaling*) or existing financial institutions will have to offer microfinance services (*downscaling*). In addition, with changes in the financial environment, such as financial liberalization in Latin America, there are important market changes that have directly or indirectly affected microfinance. These include entry by foreign banks into domestic markets, interest rate deregulation, development of capital markets, and decline of subsidized national development banks and rural credit institutions. Evidence from Indonesia as well as Bolivia has shown that, in times of financial crises, microfinance institutions were some of the most stable in the sector. For these and other reasons, new entrants seeking profit sources in that changing environment are contributing to the continuing evolution of the microfinance industry. These entrants include private as well as State-owned banks, consumer lenders, development banks, mutual or community banks, finance companies, savings and credit associations, and credit unions and cooperatives.

11. Given these changes, the question whether or how much to supervise and regulate these institutions is one that many Governments face. Within the context of each country's circumstances, therefore, the benefits of regulation and supervision should be weighed against both the financial cost of mandating them, and the non-financial costs they impose by stifling innovation and service provision.

12. There are undoubtedly other key issues to consider. It is hoped, however, that by considering these issues and consulting the many resources available, the dialogue around microfinancing will continue to expand and evolve.

II. Existing proposals and initiatives

13. In order to fully capture the richness of the debate around microfinance in recent years, the following list includes existing proposals that have not yet been associated with initiatives and programmes, as well as those initiatives that, owing to the commitment of the development partners involved, are currently under implementation.

14. There have been hundreds of such initiatives on microfinance at the national, regional and international levels. Notably, the Secretary-General in his report to the Preparatory Committee for the International Conference on Financing for Development at its second session (A/AC.257/12) had the following recommendations:

> All countries should facilitate access to finance by small and medium-sized enterprises through the provision of credit — particularly microcredit — and appropriate guarantee schemes, as well as through the introduction of segments of stock markets that are adapted to the needs of small and medium-sized enterprises and where more flexible rules apply. The emphasis should be on transparency of enterprises, on innovative, market-based financing mechanisms and on modalities appropriate to small enterprises, such as venture capital, leasing companies and insurance products (box between paras. 39 and 40).
>
> All countries should facilitate access to financial services for the poor and vulnerable by fostering a wide range of financial intermediaries that target small savers and small borrowers, microenterprises, including microfinance institutions, cooperatives, credit unions and postal savings. To this end, countries should strive to remove institutional and regulatory obstacles, such as restrictions on cost recovery, lack of secure transaction laws and weak property registries. Countries should also seek to improve women's access to mainstream sources of financing, including by strengthening their rights to pledge collateral. Governments and donors should provide resources and explore venues to reach people living in poverty, including through international public-private partnership funds to encourage research and applications on innovative financial tools (box between paras. 41 and 42).

15. The following list cannot begin to capture even a large minority of the ongoing or proposed initiatives. Rather, these are but a few examples of such in-depth

discussions of microfinance issues between Governments, donors, and domestic and international non-governmental organizations. In addition, given the importance that international conferences in the 1990s and beyond have given to access to credit, a list of those conferences is also provided. Finally, this list also includes consortia or joint efforts put into place to backstop regional and/or international efforts to support microfinance. Web site references are provided for perusal of full texts of these statements wherever possible.

A. Existing proposals that have not yet emerged as initiatives or programmes

1. Report of the High-level Panel on Financing for Development (see A/55/1000) (Chair: Ernesto Zedillo): 26 June 2001

16. Every developing country needs to set its economic fundamentals in order. No country can expect to achieve equitable growth, or to meet the International Development Goals, unless it focuses on building effective domestic institutions and adopting sound policies, including a financial system that intermediates savings to those capable of investing efficiently, including microfinance borrowers, women and the rural sector (executive summary, principal recommendation No. 1).

Micro-credit promotion agency: (http://www.globalcentres.org/docs/MicroCredit.pdf), June 2001

17. To address the lack of a central organization capable of inspiring, coordinating and supporting many microfinance institutions (MFIs) and non-governmental organizations (NGOs) involved in microcredit, there is a proposal from the Center for Global Studies at the University of Victoria to create a Micro-credit Promotion Agency (MPA). Such a body would act as a central body that would accumulate and distribute significant support to MFIs and other organizations advocating local wholesale funds for microcredit activities. Under the guidance of the United Nations Development Programme (UNDP), such a facility would:

- Establish a clear mandate regarding, inter alia, its role in seeking financial contributions, promotion of microfinancing as a low-risk and high-success business to attract private capital, establishing partnerships with existing lead MFIs, creating a Board of Directors and decision-making guidelines;
- Establish a committee of experts to use as advisers and participants in an on-line forum;
- Establish a non-governmental organization/civil society working group to act as a Board of Directors;
- Establish a MPA Secretary-General and secretariat staff, with possibilities for additional field offices;
- Establish a neutral methodology and "standard terms of reference" for evaluation, audits, definition of standard monitoring and impact assessments without taking on the role of a regulatory or enforcement agency;
- Provide a database of best practices, full impact assessment and evaluation of MFIs, a comprehensive list of existing MFIs, programmes, funders, resources and technical support.

18. This proposal has been circulated among leading microfinance institutions, and will be discussed at length at an upcoming Visioning Exercise to be held on 27 and 28 August 2001 in Victoria, Canada. That meeting is part of a larger project supported by the Canadian International Development Agency, the Ford and Rockefeller Foundations, the Canadian Department of Finance and the International Development Research Centre (IDRC).

B. Existing proposals and initiatives that are linked to already established programmes

United Nations Capital Development Fund (UNCDF)/Special Unit for Microfinance (SUM) and UNDP Africa Global Meeting on Young, Promising MFIs, 30 May-1 June 2001

19. More than 50 leaders of MFIs, staff of donor agencies, UNDP Country Offices, and UNCDF's Special Unit for Microfinance (SUM) gathered at the United Nations in New York from 30 May to 1 June 2001 to discuss, debate and deliberate how best to support "breakthroughs" in microfinance. A

"breakthrough organization" is one "that becomes a major service provider in its geographical area, attaining substantial independence from donors through financial viability and influencing other providers". Key topics that were the focus of papers and discussion included: (a) identifying promising MFIs; (b) fostering successful technical assistance partnerships; and (c) building effective financial structures for fast-growing MFIs, including equity investments.

20. The papers and proceedings from the meeting will be available soon on the UNCDF/SUM web site (http://www.uncdf.org/sum).

Microfinance Rating and Assessment Fund: May 2001

21. A joint Inter-American Development Bank (IDB)-Consultative Group to Assist the Poorest (CGAP) initiative was launched, aimed at improving the quality, reliability and availability of information on the risk and performance of MFIs. Its primary objectives are to (a) stimulate improvements in MFI performance; (b) encourage shared information and transparency of financial information on MFIs; (c) increase access of MFIs to domestic and international financial markets; and (d) encourage expansion of capacity to perform MFI assessments.

22. The pilot would start on 1 May 2001, with financing for a limited number of assessments/ratings for MFIs. The lessons learned from that test would be used for a larger and more structured Rating Fund, set to begin in the first quarter of 2002.

Global Network for Banking Innovation, New York, 9 April 2001

23. This network, the newest one for Women's World Banking, brings together 21 regulated financial institutions from Latin America, Asia, Europe, North America and Africa that have demonstrated how providing financial services to the poor is both good business and a means to change the way the world works (http://www.swwb.org/english/1000/gnbi/index.htm).

The Africa Microfinance Network (AFMIN), http://www.swwb.org/english/1000/afmin/index.htm December 2000

24. This initiative was launched in December 2000 in Cotonou, Benin, by leaders of microfinance networks from 13 African countries as an international non-governmental organization with the core objective of achieving recognition by all the Governments of participating members. These networks represent 32(institutions and almost 2 million poor clients, most of whom are women. This comes from the initial Africa Microfinance Network Initiative, born at the joint Women's World Banking-UNDP Practitioners Forum and CGAP-Women's World Banking Policy Forum held in 1996 in Mali, and launched in 1997. The Initiative mobilized African microfinance leaders in building and reinforcing country-level microfinance experience and establishing microfinance networks at country and regional levels.

Microfinance Capacity-Building Programme: Building World Class Excellence in Africa's Microfinance Industry (AFCAP), January 2000 (http://afcap.or.ke/home.asp)

25. This is a three-year initiative financed jointly by CGAP and the British Department for International Development (DFID). The vision is of a commercially viable, client-responsive and developmentally sound sector of financial institutions, serving micro- and small enterprises and poor communities at scale throughout the region. The mission is to build a core of internationally competitive African professional service providers from the private sector, who, in turn, will deliver appropriate, high-quality products and services to the microfinance industry.

Department for International Development (DFID), Financial Development Challenge Fund (http://www.enterplan.co.uk/CFindex.htm)

26. The objectives of the Financial Development Challenge Fund (FDCF) are to: (a) mobilize the international financial sector to invest in and develop financial sector capacity in target countries; and (b) catalyse the financial services sector in target countries to widen the range of products, improve efficiency of intermediation and extend services to the poor.

Towards an Asian Development Bank (ADB) Microfinance Development Strategy: Proceedings of the Regional Workshop on ADB's Microfinance Development Strategy, Manila, Philippines, 1-3 September 1999 (see full text at http://www.adb.org/documents/conference/microfinance/chap%202.pdf)

27. The workshop yielded numerous insights into the opportunities and challenges offered by microfinance, and had panel discussions on a number of issues relevant to the microfinance industry, particularly in Asia. Its recommendations were in the following areas:

- Fostering a conducive policy environment: (a) interest rate reforms; (b) refining the role of the State in microfinance to facilitate participation of private sector institutions; and (c) encouraging the entry of a wide array of institutions;
- Developing financial infrastructure: (a) developing a facilitating legal framework for microfinance; (b) performance standards; (c) regulatory and supervisory systems for MFIs; and (d) facilitating resource mobilization for MFIs;
- Pro-poor innovations;
- Institutional development: (a) savings product development; (b) research and training facilities in microfinance; and (c) information systems for microfinance;
- Role of ADB;
- Roles of donors.

The MicroStart Global Pilot Programme, UNCDF/SUM

28. The MicroStart Global Pilot Programme was formally launched at the Microcredit Summit in 1997. As of 31 March 2001, MicroStart began operations in 20 countries and, by 2001, 62 MFIs in 14 countries had received grants. A mid-term evaluation carried out in late 1999 concluded that MicroStart is a successful microfinance strategy for UNDP, and that its focus on young organizations in new countries fills a niche that other donors have neglected. An Action Plan to implement the recommendations of the evaluation was prepared in 2000, and UNCDF/SUM has retooled the programme accordingly. MicroStart is now ready for further expansion within a broader country co-investment programme.

Microcredit Summit Campaign, February 1997, Washington, D.C. (http://www.microcreditsummit.org/)

29. The first of its kind, this Summit developed a charter that affirmed that "credit is a human right". A commitment was made at that Summit to ensure that 100 million of the world's poorest families, especially the women of those families, received credit for self-employment and other financial and business services by the year 2005, and that this would be done by raising $21.6 billion (see A/52/113-E/1997/18, annex I, sect. IV.A, first para.). A basic building block of the Microcredit Summit Campaign will be the institutional action plan — containing quantitative goals, description of methods and a timetable — that will come from donor agencies, microcredit practitioners, United Nations agencies and international financial institutions. (A second summit was held in New York in 1998.)

Committee of Donor Agencies for Small Enterprise Development: Donor's Working Group on Financial Sector Development — Donor Guidelines for Microfinance International Best Practice, June 1995 (http://www.undp.org/sum/sum_reports/donor_guidelines.html)

30. Largely consistent with the recommended standards for support set out by a United Nations expert group of leading small and microenterprise practitioners convened by Women's World Banking in January 1994, this meeting established common standards for donor agencies to apply in supporting broader access to financial services for micro- and small enterprises. The framework rests on two equally important and complementary objectives: first, **outreach**, which embodies the aim of expanding access to increasing numbers of low-income clients. Second, **sustainability**, which provides the means to expand and maintain outreach. The guiding principles first help identify characteristics that donors should seek in selecting institutions to support. They then describe appropriate forms of donor support. In addition, an annex lists reporting standards on outreach and financial performance.

31. The guidelines include institutional performance standards and plans: institutional strengths; quality of service outreach, financial performance, and strategies for donor support: appropriate uses for grants; appropriate uses for loans; commercial sourcing of funds; and coherence of donor policies.

C. Multilateral and regional conferences and meetings: a number of global conferences included the issue of microfinance for low-income people in their resolutions, political declarations and action plans

Declaration on Cities and Other Human Settlements in the New Millennium (General Assembly resolution S-25/2 of 9 June 2001, annex) (twenty-fifth special session of the Assembly for an overall review and appraisal of the implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II)), 6-8 June 2001 (full text available at http://www.un.org/ga/habitat/)

32. In section D of the Declaration entitled "Taking further actions", the representatives of Governments meeting at the special session, "recognizing that those living in poverty are in fact rich in innovative faculties and that microcredit plays an important role in eradicating poverty and improving human settlements, and following success stories of some countries in this field ... encourage Governments, within their legal framework, and both national and international financial institutions, to strengthen the institutional frameworks by which it would be possible to extend microcredit, without collateral or security, to those living in poverty, in particular women" (para. 64).

Third United Nations Conference on the Least Developed Countries for the Decade 2001-2010: Programme of Action for the Least Developed Countries (A/CONF.191/11), 14-20 May 2001, Brussels, Belgium (full text available at: http://www.unctad.org/en/docs/aconf191d11.en.pdf)

33. As set forth in the Programme of Action:

Commitment 1: Fostering a people-centred policy framework

24. Actions by least developed countries and the development partners will be along the following lines:

(i) Actions by least developed countries

(b) Building on successful policy reforms and continuing efforts towards sound economic management with a view to attaining levels of economic growth necessary for reaching the objectives of the Programme of Action, including through focusing efforts in the areas of fiscal and financial sector reform and promotion of microcredit;

(e) Improving linkages between different economic activities, particularly between agriculture and micro- and small enterprises, and integrating sectoral reforms within broader development objectives.

Commitment 3: Building human and institutional capacities

E. Social integration

41. Actions by least developed countries and the development partners will be along the following lines:

(i) Actions by least developed countries

(e) Establishing and strengthening microcredit institutions in view of their capacity to make available credit, mobilize savings and provide related financial and business services for an increasing number of people living in poverty, particularly women;

(ii) Actions by development partners

(c) Supporting the strengthening of existing and emerging microcredit institutions in least developed countries.

Commitment 4: Building productive capacities to make globalization work for least developed countries

C. Enterprise development

52. The private sector can play a crucial role in poverty eradication by contributing to economic growth and creating employment. Specific attention should be given to the needs of micro-, small and medium-sized enterprises, including enterprises owned by female entrepreneurs, and to the development of a sustainable financial sector.

53. Actions by least developed countries and the development partners will be along the following lines:

(i) Actions by least developed countries

(a) Creating an enabling environment for the development of entrepreneurship, including by providing access to finance, including new and innovative forms of financing, as well as targeted business support services to micro-, small and medium-sized enterprises in rural and urban areas, including female entrepreneurs;

(b) Promoting the informal sector through an appropriate legal and institutional framework, including property rights, that facilitates their graduation to the formal sector and improves access to energy, land, water and credit;

(ii) Actions by development partners

(a) Complementing the domestic efforts of least developed countries by supporting programmes to improve access of informal, small and medium-sized enterprises to financial and business services, inter alia, through public and private venture capital funds and partnerships as well as microcredit mechanisms, and to build the capacity of local sectoral trade support institutions in both the private and public sectors, as a means of transferring and diffusing technology;

(b) Providing support to strengthen managerial and technical skills and other business support services, including access to information.

D. Energy

56. Actions by least developed countries and the development partners will be along the following lines:

(i) Actions by least developed countries

(a) Facilitating the availability of affordable energy, including through the introduction and promotion of innovative financing schemes in rural areas, such as microfinancing and cooperative arrangements for credit and licensing agreements, in order to encourage the involvement of the private sector in providing energy services.

Commitment 7: Mobilizing financial resources

A. Domestic resource mobilization

80. The key to increasing domestic resource mobilization and reducing dependence on external finance lies in achieving a firm structural basis which would sustain high per capita growth rates:

(i) Action by least developed countries

(b) Developing efficient and appropriate financial systems, including microfinance, and an appropriate legal and regulatory framework;

(d) Promoting innovative financial mechanisms such as microcredit programmes to mobilize savings and deliver financial services to the poor, including smallholders and the self-employed, particularly women, within an appropriate legal and regulatory framework.

Twenty-fourth special session of the United Nations General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world", Geneva, 26 June-1 July 2000

34. Section III of the annex to General Assembly resolution S-24/2, entitled "Further initiatives for social development", recommends taking further initiatives for the further implementation of the 10 commitments adopted at the World Summit for Social Development, inter alia:

Commitment 2
To eradicate poverty in the world, through decisive national actions and international cooperation, as an ethical, social, political and economic imperative of humankind

27. In the context of comprehensive national strategies on poverty eradication, integrate policies at all levels, including economic and fiscal policies, capacity-building and institution-building, giving priority to investments in education and health, social protection and basic social services, in order to help to empower people living in poverty, by:

(f) Improving access for people living in poverty to productive resources by implementing measures, such as skills training and microcredit schemes;

(i) Devising ways and means to allow for better acknowledgement of the nature of the informal sector so as to evaluate its share in the national economy and, where appropriate, to improve its productivity by increasing training and access to capital, including microcredit, to progressively improve working conditions through respect for basic workers' rights, to enhance social protection and to facilitate its eventual integration into the formal economy;

(j) Establishing, strengthening and expanding microcredit and other financial instruments adapted to the needs and potentials of marginalized people and vulnerable groups in order to make microcredit available to a greater number of people, particularly women, and disadvantaged groups, especially people living in poverty, and to make information and training on its effective operation and benefits widely available.

28. Develop and implement sustainable pro-poor growth strategies that enhance the potential and increase the ability of women and men living in poverty to improve their lives; such strategies could include improving access to productive resources and microfinance and establishing programmes to raise productivity and improve knowledge, skills and capabilities.

Commitment 9
To increase significantly and/or utilize more efficiently the resources allocated to social development in order to achieve the goals of the Summit through national action and regional and international cooperation

141. Promote, through national action, the mobilization of new and additional resources for social development, inter alia, by: (a) extending access to microcredit and other financial instruments to people living in poverty, particularly women.

142. Promote, through international action, the mobilization of new and additional resources for social development, inter alia, by:

(h) Exploring ways and means of promoting the micro- and small enterprise sector whereby it becomes a possible vehicle for a new development model.

We the Peoples Millennium Forum, Declaration and Agenda for Action, 22-26 May 2000, United Nations Headquarters, New York (full text available at http://www.millenniumforum.org/html/pap)

35. In the Agenda for Action:

A. Eradication of poverty, including social development and debt cancellation

The Forum urges the United Nations (para. 3): to immediately establish at the United Nations, a Global Poverty Eradication Fund, which will ensure that poor people have access to credit, with contributions from Governments,

corporations, and the World Bank and other sources.

The Forum urges Governments (para. 2): to strengthen the entrepreneurial capacity of women, indigenous people and people in the informal productive sector, ensuring access to credit, to enable them to become self-employed. This is the sure way of creating jobs for all and a sustainable way of eradicating poverty.

E. Sustainable development and the environment

The Forum urges Governments (para. 7): to promote the establishment of microcredit facilities, especially for farmers and women, and to promote their access to forms of land tenure that facilitate access to and ownership of land.

General Assembly resolution 54/204 entitled "Business and development" adopted on 22 December 1999, United Nations Headquarters, New York (http://www.esa.un.org/ffd/policydb/PolicyTexts/GA-5.htm)

36. In its resolution 54/204, the General Assembly, recognizing the important role of small and medium-sized enterprises and microfinancing in supporting economic and social development (eighth preambular paragraph), valued the promotion of entrepreneurship, inter alia, through the informal sector and microenterprises, in the development of small and medium-sized enterprises and industries by various actors throughout civil society, and of privatization, demonopolization and the simplification of administrative procedures (para. 11).

General Assembly resolution 54/198 entitled "International trade and development" adopted on 22 December 1999, United Nations Headquarters, New York (full text available at http://www.esa.un.org/ffd/policydb/PolicyTexts/GA-3.htm)

37. In its resolution 54/198, the General Assembly stressed the importance of assisting developing countries and interested countries with economies in transition in improving the efficiency of trade-supporting services, inter alia, through the elimination of procedural barriers and by greater use of trade facilitating mechanisms, particularly in the areas of transport, customs, banking and insurance, and business information, especially in the case of small and medium-sized enterprises, and in that respect invited the United Nations Conference on Trade and Development, within its mandate, in collaboration with other relevant bodies of the United Nations, including the regional commissions, to continue to assist those countries in those areas (para. 27).

Asian Development Bank, policy statement: private sector development, 2000, Manila, Philippines (full text available at http://www.esa.un.org/ffd/policydb/PolicyTexts/AsDB-2.htm)

38. According to the policy statement in respect of financing microenterprises: Microfinance is an important tool for promoting small-scale entrepreneurial development. In 1999, ADB initiated several projects to expand microfinance services in its developing member countries (DMCs). A regional microfinance strategy was developed under a technical assistance grant designed to carry out in-country consultations in 12 countries, conduct regional workshops, and recommend how DMC Governments could promote microfinance institutions. In August 1999, ADB supported the Women's World Banking (WWB) Asia Regional Meeting and the Best Practice Workshop for Microfinance Practitioners. These twin events were attended by leaders and members of WWB microfinance affiliates in Asia that offered access to finance, information, and markets to poor women entrepreneurs in Asia.

Inter-American Development Bank: Mandate for the Eighth Replenishment of Resources, 2000, Washington, D.C. (full text available at http://www.esa.un.org/ffd/policydb/PolicyTexts/IADB-1.htm)

39. As indicated in the mandate:

2.35 (c) Ensuring a friendly environment for small and medium-sized firms.

An important element in the modernization and social integration process is the creation of an environment in which small and medium-sized business can flourish. Experience in other parts of the world has demonstrated that this sector is well suited to channelling entrepreneurial creativity, effective at putting new technologies to use, and

often the most dynamic source of new employment opportunities. The aim is twofold: to create the conditions for existing businesses to flourish and grow, fostering a dynamic small and medium-sized business sector; and to extend these conditions to ensure that microenterprises also have scope to develop, so that economic activity in the informal sectors can be gradually assimilated. Key to business-base expansion will be a modern financial sector that supports entrepreneurial creativity by providing small and medium-sized businesses access to appropriate financing.

Heads of State and Government from the Southern Cone Common Market (MERCOSUR) and Chile and from the European Union (EU), Latin America and the Caribbean: European Union Summit Priorities for Action, 28 and 29 June 1999, Rio de Janeiro, Brazil (full text available at http://www.esa.un.org/ffd/policydb/PolicyTexts/EU-LA-2.htm)

40. Among the priorities for action was the following: to promote programmes and mechanisms to support small and medium-sized enterprises in the fields of financing, including better access to financial guarantees and risk capital, management training, technology and inter-business cooperation, with the aim of raising competitiveness and achieving better insertion into international markets. In particular, to promote joint ventures for the establishment of enterprises in both regions (para. 30).

Fourth World Conference on Women: Platform for Action (Report of the Fourth World Conference on Women, Beijing, 4-15 September 1995 (United Nations publication, Sales No. E.96.IV.13), chap. I, resolution 1, annex II), chap. IV.F entitled "Strategic objectives and actions: women and the economy" (full text available at http://www.un.org/womenwatch/daw/beijing/platform/economy.htm)

41. As set forth in chapter IV.F of the Beijing Platform for Action:

Strategic objective F.2. Facilitate women's equal access to resources, employment, markets and trade

Actions to be taken

166. By Governments:

(d) Promote and strengthen microenterprises, new small businesses, cooperative enterprises, expanded markets and other employment opportunities and, where appropriate, facilitate the transition from the informal to the formal sector, especially in rural areas;

(h) Review, reformulate, if necessary, and implement policies, including business, commercial and contract law and government regulations, to ensure that they do not discriminate against micro-, small and medium-scale enterprises owned by women in rural and urban areas.

167. By Governments, central banks and national development banks, and private banking institutions, as appropriate:

(c) Structure services to reach rural and urban women involved in micro-, small and medium-scale enterprises, with special attention to young women, low-income women, those belonging to ethnic and racial minorities, and indigenous women who lack access to capital and assets; and expand women's access to financial markets by identifying and encouraging financial supervisory and regulatory reforms that support financial institutions' direct and indirect efforts to better meet the credit and other financial needs of the micro-, small and medium-scale enterprises of women.

169. By multilateral funders and regional development banks, as well as bilateral and private funding agencies, at the international, regional and subregional levels:

(c) Develop strategies to consolidate and strengthen their assistance to the micro-, small and medium-scale enterprise sector, in order to enhance the opportunities for women to participate fully and equally and work together to coordinate and enhance the effectiveness of this sector, drawing upon expertise and financial resources from within their own organizations as well as from bilateral agencies, Governments and non-governmental organizations.

170. By international, multilateral and bilateral development cooperation organizations:

Support, through the provision of capital and/or resources, financial institutions that serve low-income, small and micro-scale women entrepreneurs and producers in both the formal and informal sectors.

Strategic objective F.4. Strengthen women's economic capacity and commercial networks

175. Actions to be taken by Governments:

(i) Ensure that policies and regulations do not discriminate against micro-, small and medium-scale enterprises run by women.

176. Actions to be taken by financial intermediaries, national training institutes, credit unions, non-governmental organizations, women's associations, professional organizations and the private sector, as appropriate:

(e) Promote and strengthen women's microenterprises, new small businesses, cooperative enterprises, expanded markets and other employment opportunities and, where appropriate, facilitate the transition from the informal to the formal sector, in rural and urban areas.

III. Bibliography

42. There are hundreds, if not thousands, of articles, books, periodicals and web sites that deal directly with all aspects of microfinance. Therefore, this bibliography aims to identify only some of these myriad sources.

Sites with extensive bibliographies and reference resources

43. The following have extensive bibliographies and reference resources:

Development Gateway: (http://www.developmentgateway.org/topic/unbox?page_id=3733&type_key=program)

Enterprise Development Network: (http://www.enterweb.org/microcre.htm)

Microfinance Gateway: Gateway to extensive resources (see especially **Library** link): (http://www.nt1.ids.ac.uk/cgap/index.htm)

MicroFinance Network: (http://www.bellanet.org/partners/mfn/)

United Nations Capital Development Fund (UNCDF)/Special Unit for Microfinance (SUM): (http://www.uncdf.org/links/mcfc.html)

Virtual Library on Micro-Credit: (http://www.gdrc.org/icm/icm-bibliography.html)

For a collection of web FAQs (frequently asked questions) about microfinance, see: (http://www.nt1.ids.ac.uk/cgap/html/faq.htm)

Donor and international organization microfinance sites

44. Although almost all donors have projects or activities in this subject area, several have articulated strategies for microfinance and put into place substantial programmes and initiatives. These include:

Asian Development Bank: (http://www.adb.org/Documents/Policies/Microfinance/)

Canadian International Development Agency: (http://www.acdi-cida.gc.ca/microcredit)

Consultative Group to Assist the Poorest (CGAP): Consortium of 27 donor Governments, non-governmental organizations, and private contributors: (http://www.cgap.org/)

European Union: (http://www.europa.eu.int/comm/development/lex/en/1998/com_98_0527_04.htm)

Food and Agriculture Organization of the United Nations (FAO): Rural Finance site: (http://www.fao.org/WAICENT/FaoInfo/Agricult/ags/agsm/ruralfin.htm)

Inter-American Development Bank (IDB): Micro, Small and Medium Enterprise Division: (http://www.iadb.org/sds/mic/index_mic_e.htm)

Multilateral Investment Fund — Microenterprise Development Program: (http://www.iadb.org/mif/eng/strategies/microenterprise.htm)

International Fund for Agricultural Development (IFAD): (http://www.ifad.org/operations/policy/policydocs.htm)

International Labour Organization (ILO): (http://www.ilo.org/public/english/employment/finance/index.htm)

Committee of Donor Agencies for Small Enterprise Development: (http://www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm)

United States Agency for International Development (USAID) Microenterprise Innovation Project: (http://www.mip.org/)

World Bank's Sustainable Banking with the Poor: (http://www-esd.worldbank.org/html/esd/agr/sbp/home.htm)

Non-governmental organization sites

45. Given below is just a sample of the considerable resources on non-governmental organization work available on the Internet.

ACCION: (http://www.accion.org/main.asp)

Banking with the Poor: (http://www.bwtp.org/)

BRAC (formerly Bangladesh Rural Advancement Committee): (http://www.brac.net/pov3.htm#Microfinance)

Capacity Building for Microfinance: (http://www.gdrc.org/icm/ppp/ppp.html)

The Foundation for International Community Assistance (FINCA): (http://www.villagebanking.org/)

Grameen Bank: (http://www.grameen-info.org/)

MicroSave-Africa: (http://www.undp.org/microsave/about.html)

Women's World Banking: (http://www.swwb.org/)

Books, articles and other references

46. Given below is a very small selection of the extensive resources available on microfinance. The items selected below were of particular use in the drafting of this technical note.

CGAP (2000). *The Rush to Regulate: Legal Frameworks for Microfinance*, Occasional papers. Washington, D.C., April.

_____ (2001). *Commercialization and Mission Drift: The Transformation of Microfinance in Latin America*, Occasional papers. Washington, D.C., January.

Countdown 2005: Newsletter of the Microcredit Summit Campaign. (http://www.microcreditsummit.org/newsletter/resources.htm)

Finance and Development Research Project: Working papers. (http://www.devinit.org/findev/papers.htm)

Matin, Imran, David Hulme and Stuart Rutherford (1999). *Financial Services for the Poor and Poorest: Deepening Understanding to Improve Provision*. Manchester, United Kingdom: Institute of Development Policy Management. (http://www.devinit.org/findev/Working Paper9.htm)

Microbanking Bulletin. (http://www.calmeadow.com/mbb2_index.html)

Rhyne, Elisabeth (1998). *The yin and yang of microfinance: reaching the poor and sustainability. Macrobanking Bulletin* (University of Colorado at Boulder), July 1998.

_____, and Robert Peck Christen (1999). *Microfinance Enters the Marketplace*. Washington, D.C.: USAID. (http://www.mip.org/pdfs/usaid/microfinanceenters.pdf)

Robinson, Marguerite (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. Washington, D.C.: IBRD.

Rosenberg, Richard (1998). *Independent Review of UNCDF Microfinance Activities*. UNCDF. May.

Rutherford, Stuart (2000). *The Poor and Their Money*. New Delhi: Oxford University Press.

United Nations (1999). *World Economic and Social Survey, 1999: Trends and Policies in the World Economy*. Sales No. E.99.II.C.1. Chapter VII, Bringing financial services to the poor.

Wright, Graham (1999). *Beyond Basic Credit and Savings: Developing New Financial Service Products for the Poor*. Eschborn, Germany: CGAP/Deutsche Gesellschaftûr Technische Zusammenarbeit (GTZ).

Notes

[1] The term "microfinance" is used in lieu of "microcredit" throughout this note, given its inclusion not only of credit but of other services such as savings and insurance. More detailed frequently asked questions (FAQs) can be found at http://www.cgap.org/html/mi faq.html.

[2] An example of what good financial services require can be found in Rutherford (2000, p. 114).